

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name ARCADIA	County MANISTEE
Audit Date 3/31/06	Opinion Date 9/26/06	Date Accountant Report Submitted to State: 10/18/06	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) WILSON, WARD CPA FIRM			
Street Address PO BOX 205	City INTERLOCHEN	State MI	ZIP 49643
Accountant Signature <i>Wilson, Ward CPA Firm</i>		Date 10/18/06	

ARCADIA TOWNSHIP ARCADIA, MICHIGAN

Audit Report

For Year Ended
March 31, 2006

Wilson, Ward CPA Firm
PO Box 205
Interlochen, MI 49643
(231) 276-7668

September 26, 2006

Arcadia Township Supervisor
Arcadia Township, Michigan

The primary purpose of this letter is to prepare, for management, information which delineates those items encountered during the audit which were either not related to the financial, internal control and compliance reports or were not material enough to comment on relative to them. However, these items might be significant when viewed from a management perspective or in the longer term. This letter is intended only for the use of management and any other parties not informed of these matters might misconstrue their meanings.

Our Responsibility under Generally Accepted Auditing Standards

Our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with general accepted accounting principles. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, irregularities, or illegal acts, including fraud and defalcations, may exist and not be detected by us.

As part of our audit, we considered the internal control structure of the Arcadia Township. Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for safeguarding assets and for maintaining the structure of the internal control system to help assure the proper recording of transactions. Our consideration of the system of internal control was solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control structure.

Significant Accounting Policies

Management has the responsibility for selection of appropriate accounting policies. In accordance with the terms of our engagement, we will advise management of the appropriateness of the accounting policies and their application. The significant accounting policies used by the Arcadia Township are listed in Note 1. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year. We noted no transactions entered into Arcadia Township during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, of transactions for which there is a lack of authoritative guidance or consensus.

Management Judgements and Accounting Estimates

Some accounting estimates are utilized in financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. Our conclusions regarding the reasonableness of the estimates are based on reviewing and testing the historical data provided by management and using this data to compute the liability.

Significant Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the general purpose financial statements that, in our judgment, may not have been detected except through our auditing procedures. These adjustments may include those proposed by us but not recorded by the Arcadia Township that could potentially cause future financial statements to be materially misstated, even though we have concluded such adjustments are not material to the current financial statements. Our audit adjustments, individually and in the aggregate, have a significant effect on the financial reporting process.

The information was made available timely and in an organized manner by the clerk and treasurer. Once again, the atmosphere is very conducive to excellent internal control with a very positive attitude toward improvement.

COMMENT: Significant improvements in internal controls and financial statement presentation have been made during the year.

RECOMMENDATION: Continued improvement is always desired and utilization of the budget comparison function of the program will enhance management of budget limitations.

Again, it is important to remember that this report is for information only and provided to management with the sole intent that it can be evaluated with the potential to improve management practices within the township. Thank you for the excellent condition of the records as well as the opportunity to work with Arcadia Township.

Sincerely,


Wilson, Ward CPA Firm

ARCADIA TOWNSHIP
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INTRODUCTORY SECTION

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Arcadia Township Board
Arcadia, Michigan

We have audited the financial statements of the governmental activities, the business-type activities and the aggregate remaining fund information of Arcadia Township, Manistee County, Michigan, as of and for the year ended March 31, 2006, which collectively comprise the Arcadia Township's basic financial statements and have issued our report thereon dated September 26, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Arcadia Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of Arcadia Township in a separate letter dated September 26, 2006.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Arcadia Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the audit committee, management, township board, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Wilson Ward CPA Firm

Interlochen, MI
September 26, 2006

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

To the Township Board
Arcadia Township, Michigan

We have audited the accompanying statement of net assets, activities, each major fund, and the aggregate remaining fund information of Arcadia Township as of and for the year March 31, 2006, which collectively comprise Arcadia Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Arcadia Township's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the financial statements referred to above present fairly, in all material respects, the respective of the governmental activities, the business type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Arcadia Township as of March 31, 2006, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for each major fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management discussion and analysis and required budgetary comparison information identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 26, 2006 on our consideration of Arcadia Township, Michigan's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contract and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Wilson Ward CPA Firm

Interlochen, MI
September 26, 2006

ARCADIA TOWNSHIP

Management's Discussion and Analysis

Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

The Township as a Whole

The Township's combined net assets increased 2% from a year ago - rising from \$2,261,859 to \$2,302,176. Most of this was operational expenditures in the Fire Department Fund with the Balance being depreciation from capital assets.

This year was the first year for the implementation of GASB 34 with the resulting changes in the financial position as reflected on the Governmental Funds Balance Sheet, Statement of Net Assets.

The Township's Funds

Our analysis of the Township's major funds begins on page 9, following the entity wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Township as a whole. The Township Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities such as special property tax millages.

The General Fund pays for most of the Township's governmental services. The amount transferred to the General Fund is supported by a detailed calculation of the current year costs of the specific capital outlay approved by the Township Board.

General Fund Budgetary Highlights:

Over the course of the year the Township Board was able to maintain the township departments within their prescribed budgets

Capital Asset and Debt Administration:

As of March 31, 2006, the Township had \$2,542,568 invested in a broad range of capital assets, including land, buildings and equipment. In addition, the Township has invested significantly in major and local roads within the Township. These assets are not reported in the Township's financial statements because of Michigan law which makes these roads the property of the County Road Commission (along with the responsibility to maintain them).

Economic Factors and Next Year's Budgets and Rates:

Arcadia Townships's 2005-2006 general fund budget calls for the allocated millage of 0.8975. Arcadia Township also has a voted millage for Fire Protection services in the amount of 0.9286 and street light operational millage of 0.4642. Because of the impact of Proposal A, however, the Township needs to continue to watch its budget very closely. The state-wide tax reform act limits growth in taxable value by less than inflation. The mathematical result of this is that the total taxable value for the Township will grow less than by inflation, before considering new property additions.

General Overview of the Accomplishments of Arcadia Township in the 2005-2006 Fiscal Year:

The township was able to maintain control over and minimize expenditures.

Contacting the Township's Management:

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the treasurer's office at (231) 889-4752.

ARCADIA TOWNSHIP
Government Wide Statement of Net Assets
As of March 31, 2006

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash & Investments	\$445,170	\$63,633	\$508,803
Accounts Receivable - Taxes	7,959		7,959
Accounts Receivable	0		0
Due From other Funds	19,733		19,733
Net Assets	1,840,519	290,271	2,130,789
Total Assets	2,313,380	353,904	2,667,284
Liabilities and Fund Balance			
Liabilities			
Accounts Payable	0		0
Deferred Taxes Receivable	7,959		7,959
Due To other Funds	2,702	17,031	19,733
Note Payable	0	38,695	38,695
Total Liabilities	10,661	55,726	66,387
Fund Equity			
Fund Balance - Unreserved	2,302,719	298,178	2,600,898
Total Fund Equity	2,302,719	298,178	2,600,898
Total Liabilities and Fund Balance	\$2,313,380	\$353,904	\$2,667,284

ARCADIA TOWNSHIP
GOVERNMENT WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2006

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total	
	Expenses	Operating	Capital	Primary Government			
		Charges for Services	Grants and Contributions	Grants and Contributions	Governmental Activities		Business-type Activities
Primary government							
Governmental activities:							
Legislative	\$3,965	\$0	\$0	\$0	(\$3,965)	(\$3,965)	
General government	126,630	0			(126,630)	(126,630)	
Public safety	69,160				(69,160)	(69,160)	
Public works	620				(620)	(620)	
Health and Welfare	0				0	0	
Community and Economic Development	0				0	0	
Recreation and Culture	16,938				(16,938)	(16,938)	
Depreciation	40,862				(40,862)	(40,862)	
Interest on Long Term Debt	0				0	0	
Total Governmental Activities	258,175	0	0	0	(258,175)	(258,175)	
Business Type Activities							
Enterprise Funds	128,009	111,764			(16,246)	(16,246)	
Total Primary Government	386,184	111,764	0	0	(258,175)	(274,420)	
General revenues:							
Taxes							
Property Taxes-general					178,009	178,009	
Property Taxes-debt service					0	0	
State-Shared Revenues					43,441	43,441	
Unrestricted Investment Earnings					5,389	371	5,760
Franchise taxes					0		0
Contributions					0		0
Miscellaneous					72,196		72,196
Transfers					0	0	0
Total General Revenues-Special Items and Transfers					299,035	371	299,406
Changes in Net Assets					40,860	(15,875)	24,986
Net Assets - Beginning					2,261,859	314,053	2,575,912
Net Assets - Ending					\$2,302,719	\$298,178	\$2,600,898
Net Income Per Governmental Balance Sheet	\$81,722						
Net Transfer Per Governmental Statement of Rev/Exp	0						
Less Depreciation	40,862						
Net Income Per Statement of Activities	\$40,860						

ARCADIA TOWNSHIP
Governmental Funds Balance Sheet
As Of March 31, 2006

	Governmental Fund Types		
	General	Non Major Funds	Total (Memo Only)
Assets			
Cash & Investments	\$250,722	\$194,448	\$445,170
Accounts Receivable taxes	7,959	0	7,959
Accounts Receivable	0	0	0
Due from Other Funds	19,733	0	19,733
Prepaid Insurance	0	0	0
Buildings & Improvements	0	0	0
Machinery & Equipment	0	0	0
Total Assets	278,413	194,448	472,862
Liabilities and Fund Balance			
Liabilities			
Accounts Payable	0	0	0
Retirement Payable	0	0	0
Deferred Taxes Receivable	7,959	0	7,959
Due to Other Funds/Agencies	0	2,702	2,702
Note Payable	0	0	0
Total Liabilities	7,959	2,702	10,661
Fund Equity			
Fund Balance - Unreserved	270,454	191,746	462,200
Total Fund Equity	270,454	191,746	462,200
Total Liabilities and Fund Balance	\$278,413	\$194,448	\$472,861

Fund Balance Per All Government Funds	\$462,200
Add Net Assets	1,840,519
Fund Balance Per Balance Sheet	<u>\$2,302,719</u>

ARCADIA TOWNSHIP
 Combined Statement of Revenues, Expenditures and Changes in Fund Balance
 All Governmental Fund Types
 For the Year Ended March 31, 2006

	<u>Governmental Fund Types</u>		
	General Fund	Non Major Funds	Total (Memo Only)
<u>Revenues</u>			
Taxes	\$84,580	\$93,430	\$178,009
Admin Fees	1,398	0	1,398
Licenses	0	0	0
State Grants	41,942	1,499	43,441
Charges for Services	0	0	0
Interest & Rentals	4,948	441	5,389
Other Revenues	38,247	32,551	70,798
Total Revenues	171,114	127,920	299,035
<u>Expenditures</u>			
Current			
Legislative	3,965	0	3,965
General Government	98,492	10,206	108,698
Public Safety	13,960	55,200	69,160
Public Works	0	620	620
Other	17,932	16,938	34,870
Total Expenditures	134,348	82,965	217,313
Excess Revenue (Expenditures)	36,766	44,956	81,722
Fund Balance - Beginning of Year	233,688	146,790	380,478
Transfers in / (Out)	0	0	0
Fund Balance - End of Year	\$270,454	\$191,746	\$462,200

ARCADIA TOWNSHIP, MANISTEE COUNTY
BALANCE SHEET
PROPRIETARY FUND
MARCH 31, 2006

	Marina Enterprise	Total
ASSETS		
Cash	\$63,633	\$63,633
Accounts Receivable	0	0
Due from Other Funds	0	0
Property and Equipment	0	0
Property, Plant and Equipment Net of Accum. Dep.	516,635	516,635
Inventories	0	0
Other Assets	0	0
Total Assets	580,268	580,268
LIABILITIES & FUND EQUITY		
Accounts Payable	0	0
Due to Other Funds	17,031	17,031
Other Current Liabilities	0	0
Notes Payable	38,695	38,695
Deferred Revenue	0	0
Total Liabilities	55,725	55,725
Fund Equity		
Contributed Capital	226,364	226,364
Retained Earnings	298,178	298,178
Total Fund Equity	524,542	524,542
Total Liabilities & Fund Equity	\$580,267	\$580,267

ARCADIA TOWNSHIP, MANISTEE COUNTY
STATEMENT OF REVENUES, EXPENSES & CHANGES IN
RETAINED EARNINGS
PROPRIETARY FUND
MARCH 31, 2006

	Marina Enterprise	Total
OPERATING REVENUES		
Charges for Services	\$111,764	\$111,764
State Grant	0	0
Other Revenue	0	0
Total Operating Revenue	<u>111,764</u>	<u>111,764</u>
OPERATING EXPENSES		
Wages and Fringes	13,941	13,941
Contractual Services	2,247	2,247
Material and Supplies	59,445	59,445
Equipment Repair and Maintenance	7,852	7,852
Utilities	6,657	6,657
Casualty and Liability Costs	1,286	1,286
Other	<u>5,000</u>	<u>5,000</u>
Total Operating Expenses	<u>96,427</u>	<u>96,427</u>
OPERATING INCOME (LOSS)	15,337	15,337
Depreciation	<u>31,582</u>	<u>31,582</u>
Net Operating Income	(16,246)	(16,246)
NON-OPERATING REVENUES(EXPENSES)		
Interest Income	371	371
Interest Expense	0	0
OTHER FINANCING SOURCES (USES)		
Operating Transfers In		
Operating Transfers Out	<u>0</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>
NET INCOME (LOSS)	(15,875)	(15,875)
RETAINED EARNINGS, BEGINNING	314,053	314,053
PRIOR PERIOD ADJUSTMENTS	0	0
RETAINED EARNINGS, ENDING	<u>\$298,178</u>	<u>\$298,178</u>

ARCADIA TOWNSHIP, MANISTEE COUNTY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED MARCH 31, 2006

	Marina Enterprise	Total
Cash Flow From Operating Activities		
Cash Received from Customers	\$111,764	\$111,764
State Grant	0	0
Transfer for Administrative	0	0
Cash Payments to Employees for Services and Benefits	(13,941)	(13,941)
Cash Payments to Suppliers for Services and Benefits	(82,486)	(82,486)
Net Cash Provided by Operating Activities	<u>15,337</u>	<u>15,337</u>
Cash Flow from Noncapital Financing Activities		
(Increase) in Due from Other Funds	0	0
(Decrease in Due to Other Funds	<u>0</u>	<u>0</u>
Net Cash provided by Noncapital Financing Activities	<u>0</u>	<u>0</u>
Cash Flows For Capital and Related Financing Activities		
Capital Improvements	0	0
Principal Payments	(0)	(0)
Interest on Debt	<u>0</u>	<u>0</u>
Net Cash Provided for Capital and Related Financing Activities	<u>(0)</u>	<u>(0)</u>
Cash Flows From Investing Activities		
Loss On CD Investment	0	0
Interest on Cash Equivalent	<u>371</u>	<u>371</u>
Net Cash Provided by Investing Activities	<u>371</u>	<u>371</u>
Net Increase (Decrease) in Cash and Cash Equivalents	15,708	15,708
Cash and Cash Equivalents at Beginning of Year	<u>47,924</u>	<u>47,924</u>
Cash and Cash Equivalents at End of Year	<u>63,632</u>	<u>63,632</u>
Reconciliation of Operating income to Net Cash Provided by Operating Activities		
Operating Income (Loss)	(16,246)	(16,246)
Transfer for Administrative Cost	0	0
Adjustments to Reconcile Income to Net Cash Provided by Operating Activities		
Depreciation Expense	31,582	31,582
(Decrease) in Accounts Payable	0	0
Net Cash Provided by Operating Activities	<u>\$15,337</u>	<u>\$15,337</u>

ARCADIA TOWNSHIP–MANISTEE COUNTY

Notes to Financial Statements

March 31, 2006

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Arcadia Township is a general law Township located in Manistee County. The governing body of the Township is the Township board which is composed of the supervisor, the clerk, the treasurer and two trustees. The Township provides the community with fire protection, road maintenance, trash removal, street lighting and other services.

The financial statements of the Township include those of separately administered organizations that are controlled by or dependent on the Township for financial support. Control or dependence is based on such items as budgetary control, taxing authority, appointment of controlling or governing boards, and other criteria as outlined in GASB Statement #14.

No other organizations or governmental entities are considered in this report using these definitions.

B. Basis of Presentation

The accounts of the government are organized and operated on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded directly in those funds.

The financial statements of the Township are presented in a series of self balancing funds and account groups. The account groups include all fixed assets and all long term debt.

The accounting policies of Arcadia Township conform to generally accepted accounting principles and include the following fund types

1. Government Fund Types use modified accrual basis and include -

The general funds account for fiscal resources in use for general types of operations. The general fund is a budgeted fund and any fund balances are considered as resources available for use. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

The special revenue funds account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action. These funds are employed to maintain integrity for the various sources of each fund.

2. Fiduciary fund types include -

The Trust and Agency Fund is unbudgeted and accounts for activities within those areas where in the Township is operating in either a trust or agency status. These funds have no equity, assets are equal to liabilities, and do not include revenues and expenditures for general operations of the Township.

3. Government-Wide And Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely, to a significant extent, on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Revenues and Expenses are recognized on the accrual basis using the economic resources measurement focus. Based on Governmental Accounting Standards Board (GASB) Statement No. 20 *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting, as amended*, the Township has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

C. Basis of Accounting

All governmental funds use the modified accrual basis of accounting. Under this method, revenues are recognized when received in cash except for those which are reasonable to accrue. These are recorded as receivable when measurable and as revenue accrued. Specific types of tax revenue are reported as deferred revenue which are expected to be collected within sixty days. Other delinquent revenue not expected to be recovered within 60 days are reported only in the footnotes. Expenditures are recorded when the liability is incurred, except for interest on long term debt which is recorded as payments are made with an adjustment to account for accrued interest at year end.

D. Measurement Focus

The accounting and reporting treatment applied to a fund is determined by the current reporting standards of measurement focus. Thus all governmental funds are accounted for on a financial flow measurement basis. This means that only current assets and liabilities are presented on the balance sheets and operating statements measure increases and decreases in these net current assets.

E. Budgets

All funds are under formal budgetary control. Budgets shown in the financial statements are prepared on a modified accrual basis and consist of those amounts which are controlled during the formal budget approval process and subsequent amendment by the Township Board. Line items contained within the original budget are appropriated and amended only on a departmental activity basis.

F. Fixed Assets

All fixed assets are recorded in the fixed assets records. This includes all assets which are considered of value to the Township and do not include public domain assets such as roads, sidewalks and drains. The modified accrual basis makes no provision for the depreciation of these assets. However, detailed records are maintained to support Note 8. These assets are valued at historical cost when purchased or Fair Market Value as of the date they have been donated to the Township.

G. Long Term Debt

Marina Loan

On August 2, 1996 the Township obtained a loan in the amount of \$205,030.36 from West Michigan National Bank for the purpose of funding part of the cost of improvements to the Marina. The loan is payable in semi-annual payments of \$10,895.10 including principal and interest at the annual rate of 7.1%. During the fiscal year the note was paid down, and the resultant balance of \$90,000 was refinanced at 3.95% interest rate with monthly payments. The new note has a balloon payment of approximately \$50,400 due in October 2008.

The following is a summary of changes in long-term debt for the Marina Fund as of March 31, 2006:

	Balance 04/01/05	Addition	Deletion	Balance 03/31/06
Installment Purchase Contract				
Building Improvement	\$ 86,317	0	\$47,622	\$ 38,695
Total General Long Term Debt	\$ 86,317	0	\$47,622	\$ 38,695

The annual requirements to pay the principal and interest on the Marina loan are as follows:

Fiscal Year	Principal	Interest	Total
2006-2007	8,256	2,684	10,941
2007-2008	8,587	2,353	10,941
2008-2009	<u>53,920</u>	<u>1,046</u>	<u>54,966</u>
Total	70,763	6,083	66,998

Additional principal was paid in 2004-2005 fiscal year, therefore loan should be paid early. The amounts listed above represent the annual required payments.

H. Property Taxes

Properties are assessed as of December 31 and the related property taxes become a lien the following July 1 and/or December 31. Real property taxes are collected by the Township Treasurer through February 28th of each year. Any uncollected real property taxes are returned to be collected by the County Treasurer. Personal property taxes continue to be collected by the Township Treasurer.

The State Equalized Value (SEV) and taxable values are:

	Real Property	Personal Property	Total
SEV	\$ 76,982,600	\$ 1,464,000	\$ 78,446,600
Tax. Value	\$ 40,346,732	\$ 1,464,000	\$ 41,810,732

J. Use of Estimates

The process of preparing financial statements in conformity with generally accepted accounting principals requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

NOTE 2 - BUDGET APPROPRIATIONS

Public Act 621 of 1978, Section 18, provides that a local unit shall not incur expenditures in excess of the amount appropriated. Information on budget categories has been included for information only. The budget appropriation is for department use only and hence is the legally controlling amount. There are no items where expenditures were incurred in excess of the amounts appropriated for the activities or functions of the general fund.

NOTE 3 - DEPOSITS WITH FINANCIAL INSTITUTIONS

A. Legal Provisions

Act 20, Public Acts of 1943, as amended by Act 217, Public Acts of 1982, states that the Arcadia Township, by resolution, may authorize the Treasurer to invest surplus funds as follows:

1. In bonds and other direct obligations of the United States or an agency or instrumentality the United States.
2. In certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation or a credit union which is insured by the National Credit Union Administration, but only if the bank, savings and loan association, or credit union complies with subsection (2).
3. In commercial paper rate at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after date of purchase. Not more than 50% of any fund may be invested in commercial paper at any time.
4. In United States government or federal agency obligation repurchase agreements.
5. In bankers' acceptances of United States banks.
6. In mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

NOTE 4 - TYPES OF DEPOSITS AND INVESTMENTS

The Township had \$261,652 in certificates of deposit with local banks, of which \$100,000 is insured. This would leave balances of cash as follows:

Deposits	Bank	Carrying Value
Insured & Uncollateralized	\$100,000	\$ 100,000
Uninsured	<u>148,765</u>	<u>148,850</u>
Total	\$248,765	\$ 248,850

NOTE 5 - PROPERTY TAXES

As of March 31, 2006 \$9,911 of property taxes were delinquent.

NOTE 6 - INTERFUND ACCOUNTS

There were no inter-fund loans or advances during the audit year. The only interfund activity was the transfer from the trust and agency fund due to tax collections and the interest accumulated which is due to the general fund.

NOTE 7 - INVENTORIES

No material parts or supply inventories are maintained by the Township.

NOTE 8 - FIXED ASSETS

Detailed information concerning the fixed asset accounts is as follows:

	04/01/05 Balance	Additions	Deletions	03/31/06 Balance
Land & Improvements	\$1,840,519	\$0	\$0	\$1,840,519
Buildings	293,427	0	0	293,427
Equipment	<u>408,622</u>	<u>0</u>	<u>0</u>	<u>408,622</u>
Total Fixed Assets	\$2,542,568	\$0	\$0	\$2,542,568
Accumulated Depreciation				
Land & Improvements	\$ 0	\$0	\$0	\$ 0
Buildings	293,427	0	0	293,427
Equipment	<u>367,760</u>	<u>40,862</u>	<u>0</u>	<u>408,622</u>
Total Fixed Assets	\$ 661,187	40,862	\$0	\$ 702,049

All fixed assets are based on historical cost for all assets. Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings	40 to 60 years
Building Improvements	15 to 30 years
Infrastructure	5 to 10 years
Equipment	10 to 30 years
Vehicles	3 to 20 years

NOTE 9 - CONTINGENT LIABILITIES

Township officials are aware of no contingent liabilities on the part of the Township.

NOTE 10 - TOTAL COLUMN ON COMBINED STATEMENTS

The total column on the combined statements overview is captioned "Memo Only" to indicate that it is presented only to facilitate financial analysis. Data in this column does not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Interfund eliminations have not been made in the aggregation of this data.

NOTE 11 - COMPENSATED ABSENCES

The Township does not compensate for vacation or sick and as such there is no computed liability for compensated absences. The Township does not have a liability for post retirement benefits.

NOTE 12 - RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts, thefts of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The Township continues to carry commercial insurance for property, liability, wrongful acts, crime, inland marine, and other risks of loss including worker compensation and accident insurance.

SUPPLEMENTAL DATA SECTION

WILSON, WARD CPA FIRM

P.O. Box 205
3015 M-137
Interlochen, MI 49643

(231) 276-7668

Fax: (231) 276-7687

E-mail: wilson@wilsonward.com

To the Arcadia Township Board
Arcadia Township
Arcadia, MI

We have audited the combined financial statements of the Arcadia Township for the year ended March 31, 2006. Our audits were made for the purpose of forming an opinion on the combined financial statements taken as a whole. The accompanying schedules, as listed in the table of contents, are presented for purposes of the additional analysis and are not a required part of the combined financials statements. Such information has been subjected to the auditing procedures applied in the audits of the combined financial statements and, in our opinion, is fairly stated in all material respects in relation to the combined financial statements taken as a whole.

Wilson Ward CPA Firm

Interlochen, MI
September 26, 2006

General Fund

ARCADIA TOWNSHIP, MANISTEE COUNTY
STATEMENT OF REVENUES - BUDGET TO ACTUAL
GENERAL FUND
For the Year Ended March 31, 2006

	Adopted Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
REVENUE				
Property Taxes				
Current Property Taxes	\$60,600	\$60,600	\$59,551	(\$1,049)
Delinquent Property Taxes	0	0	3,373	3,373
Admin Fees	20,200	20,200	21,655	1,455
Total Property Taxes	80,800	80,800	84,580	3,780
Licenses and Permits				
Dog Licenses	0	0	0	0
Land Use Permits	800	800	1,398	598
Total Licenses and Permits	800	800	1,398	598
State Aid Revenue				
Revenue Sharing	42,000	42,000	41,942	(58)
Total State Aid	42,000	42,000	41,942	(58)
Interest and Rentals				
Interest	1,600	1,600	3,348	1,748
Rentals	0	0	1,600	1,600
Total Interest and Rentals	1,600	1,600	4,948	3,348
Other Revenue				
Other	10,500	10,500	38,247	27,747
Total Other Revenue	10,500	10,500	38,247	27,747
Total Revenue	135,700	135,700	171,114	35,414
Transfers In			0	
Total Revenue and Transfers			<u>\$171,114</u>	

ARCADIA TOWNSHIP, MANISTEE COUNTY
STATEMENT OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended March 31, 2006

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
Legislative				
Township Board--Trustees	\$5,000	\$5,000	\$3,965	\$1,035
Total Legislative	5,000	5,000	3,965	1,035
General Government				
Supervisor	7,900	7,900	7,433	467
Elections	0	0	36	(36)
Assessor	19,000	19,000	18,112	888
Attorney and Professional Services	0	0	5,470	(5,470)
Clerk	8,900	8,900	6,955	1,945
Board of Review	600	600	0	600
Treasurer	10,100	10,100	8,943	1,157
Building and Grounds	50,300	50,300	51,542	(1,242)
Cemetery	0	0	0	0
Total General Government	96,800	96,800	98,492	(1,692)
Public Safety				
Planning	7,000	7,000	12,460	(5,460)
Zoning	2,500	2,500	1,500	1,000
Total Public Safety	9,500	9,500	13,960	(4,460)
Recreation and Cultural				
Parks	0	0	0	0
Library	0	0	0	0
Total Recreation and Cultural	0	0	0	0
Other				
Insurance and Bonds	7,000	7,000	9,001	(2,001)
Miscellaneous	17,400	17,400	8,931	8,469
Total Other	24,400	24,400	17,932	6,468
Capital Outlay				
Land Improvements	0	0	0	0
Land Acquisition	0	0	0	0
Equipment	0	0	0	0
Total Capital Outlay	0	0	0	0
Total Expenditures	135,700	135,700	134,348	1,352
Other Financing Uses				
Operating Transfers (Out)				
Street Lights Fund			0	
Street light Fund			0	
Fire Fund			0	
Marina			0	
Total Other Financing Uses			0	
Total Expenditures and Other Financing Uses			\$134,348	

Special Revenue Fund

ARCADIA TOWNSHIP, MANISTEE COUNTY
Combining Balance Sheet
All Special Revenue Funds
As Of March 31, 2006

	Fire Fund	Liquor Law Enforcement Fund	Flower Fund	Parks and Rec Fund	Historical Commission Fund	Street Lighting Fund	Cemetery Fund	Total
<u>Assets</u>								
Cash	\$135,391	\$0	\$2,508	\$1,062	\$13,018	\$27,894	\$14,575	\$194,448
Deposit	0							0
Due From Other Funds		0						0
Taxes Receivable	0							0
Total Assets	135,391	0	2,508	1,062	13,018	27,894	14,575	194,448
<u>Liabilities & Fund Equity</u>								
Liabilities								
Accounts Payable	0							0
Due to other funds	2,702							2,702
Total Liabilities	2,702							
Fund Equity								
Fund Balance	132,689	0	2,508	1,062	13,018	27,894	14,575	191,746
Total Liabilities and Fund Balance	\$135,391	\$0	\$2,508	\$1,062	\$13,018	\$27,894	\$14,575	\$194,448

The footnotes are an integral part of these Financial Statements.

ARCADIA TOWNSHIP, MANISTEE COUNTY
Combining Statement of Revenues, Expenditures & Changes in Fund Balance
Special Revenue Funds
For The Year Ended March 31, 2006

	Fire Fund	Liquor Law Enforcement Fund	Flower Fund	Parks and Rec Fund	Historical Commission Fund	Street Lighting Fund	Cemetery Fund	Total
Revenues								
Taxes	\$82,434					\$10,995		\$93,430
State Aid		1,499						1,499
Interest	236				57	148	0	441
Other	22,330		1,600	150	7,571		900	32,551
Total Revenue	105,001	1,499	1,600	150	7,628	11,143	900	127,920
Expenditures								
General Government							620	620
Public Works						10,206		10,206
Capital Outlay	0			0				0
Recreation and Cultural			905	695	15,338			16,938
Public Safety	52,368	2,833						55,200
Total Expenditures	52,368	2,833	905	695	15,338	10,206	620	82,965
Excess Revenue Over (Under)								
Expenditures Before Other								
Financing Sources	52,633	(1,334)	695	(545)	(7,710)	937	280	44,956
Other Financing Sources								
Operating Transfers In						0		0
Operating Transfers (Out)						0		0
Excess of Revenues and Other								
Sources Over (Under) Expenditures	52,633	(1,334)	695	(545)	(7,710)	937	280	44,956
Transfers In (Out)	0				0			0
Fund Balance - Beginning of Year	80,056	1,334	1,813	1,607	20,728	26,957	14,295	146,790
Fund Balance - End of Year	\$132,689	\$0	\$2,508	\$1,062	\$13,018	\$27,894	\$14,575	\$191,746

The footnotes are an integral part of these Financial Statements.